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Proprietary vocational schools[1] have come to play an increasingly important role in providing vocational training[2] to the nation's young people, especially those from low-income backgrounds who are unlikely to attend collegiate institutions. Thus, in 1980, the proprietary vocational sector comprised 5,993 residential[3] and 83 correspondence schools, accounting for almost two-thirds (64 percent) of all postsecondary institutions that offered vocational education and close to three-fourths (72 percent) of all postsecondary enrollments in vocational education (National Center for Education Statistics, 1981).

Only in the past decade, however, have the proprietary schools begun to be accepted — by policymakers if not always by traditional educators — as a legitimate part of the postsecondary education structure. The 1972 Higher Education Amendments expanded the definition of higher education to include accredited proprietary schools and gave proprietary students access to all the federal student aid programs authorized by Title IV of the Higher Education Act of 1965: Pell Grants, Supplemental Educational Opportunity Grants (SEOG), National Direct Student Loans (NDSL), Guaranteed Student Loans (GSL) and College Work-Study (CWS). Institutional eligibility requirements for proprietary schools are virtually the same as those for nonproprietary schools.

In an earlier article (Wilms, 1983), I pointed out that both the students and the schools appear to be heavily dependent on federal student aid. Students count on federal aid to help cover the tuition costs of proprietary schools, and the schools rely entirely on student tuitions for revenue and thus their very survival. One of the few studies to analyze how proprietary schools package their student aid (Applied Management Sciences, 1980) reported that grants are emphasized over loans and work and that the unmet need of proprietary students is much higher than that of community college students. Beyond this sketchy information, however, little is known about the impact of federal aid on proprietary students.

Accordingly, in September 1982, the National Commission on Student Financial Assistance decided to support a study designed to answer the following questions:

1. What are the characteristics (sex, age, ethnicity, income level) of proprietary students receiving federal aid? How do they differ by type of proprietary school? How do those receiving need-based aid differ from other aid recipients in proprietary schools?

[1] Private schools incorporated as profit-seeking institutions.
[2] "Vocational training" is usually defined as training for an occupation requiring less than a bachelor's degree.
[3] "Residential" does not imply that students live at the school but merely distinguishes these schools from home-study (correspondence) schools.

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2. How do proprietary schools package their student aid, in terms of the relative proportions of grants, loans, and work? How does the packaging vary for students from different ethnic backgrounds and different income levels?

3. How does the distribution of aid among proprietary students differ from the distribution of aid among comparable groups of community college students?

Study Design

It was decided[4] to restrict the study to residential proprietary schools accredited by one of three associations: the Association of Independent Colleges and Schools (AICS), representing business and secretarial institutions; the National Association of Trade and Technical Schools (NATTS); and the American Council on Cosmetology Education (ACCE). Thus, correspondence (home-study) institutions (whose students receive only a small amount of federal aid) were excluded. The target population was defined as students in accredited residential schools who received some form of student aid between July 1, 1981 and June 30, 1982. The survey instrument was adapted from a questionnaire used earlier in studies of independent higher education by the National Institute of Independent Colleges and Universities (NIICU), which — because of its experience in conducting national studies of student aid — was asked to help with the study design and to carry out the day-to-day survey operations.

The population of 2,309 eligible institutions was stratified by type (AICS, NATTS, and ACCE) and by size (small, medium, and large). Ninety-two AICS, 100 NATTS, and 121 ACCE schools — a total of 313 institutions — were randomly selected for study. If a school declined the invitation to participate, a replacement was drawn. As questionnaires were returned, they were field-edited by NIICU staff and, if necessary, institutions were telephoned to confirm the figures. These procedures yielded 2,159 usable student records from 277 institutions, for an unusually high overall completion rate of 88.5 percent. A two-stage procedure was used for weighting the sample to represent the population.[5]

Profile of the Institutional Sample

The following institutional profile is based on unweighted data from independent surveys of the sample schools conducted by the three associations mentioned earlier — AICS, NATTS, and ACCE — for the purpose of providing a background for the larger study.

Over half (53 percent) of the schools were independent. ACCE schools were slightly more likely to be parts of chains (38 percent) than were AICS schools (30 percent) or NATTS schools (33 percent).

The average trade or technical (NATTS) school was the largest, with an enrollment of 975 students, 61 percent of whom applied for, and 50 percent of whom received, financial aid. Cosmetology schools (ACCE) were the smallest, averaging 245 students; 57 percent applied for aid, and 38 percent received it. The average enrollment at business and secretarial (AICS) schools was 718 students, of whom 65 percent were aid applicants, and 57 percent aid recipients.

Programs in NATTS schools were longer and more costly than AICS programs,

[4] Many of the decisions about sampling and questionnaire design were to some extent dictated by the decisions made earlier by Stampen (1983) in his study of public higher education. Other decisions were made with the help of an advisory group, made up of proprietary school representatives and individuals with technical research backgrounds, which met on September 28, 1982, to discuss issues related to sampling and questionnaire development.

[5] At the first stage a weight was computed for each school, corresponding to the relationships between the number of aid recipients in the school and the number of usable questionnaires returned by the school. If, for example, the institution enrolled fifty aid recipients and returned five questionnaires, the school weight was ten (50 divided by 5); that is, each questionnaire represented 10 aid recipients. At the second stage, a cell weight was derived for each school. If, for example, there were forty-eight small NATTS schools in the population and only sixteen in the sample, the cell weight was 3 (48 divided by 16). The final weight was calculated by multiplying the two weights for each school.

which in turn were longer and more costly than ACCE programs. Average program costs (including tuition, books, and equipment) ranged from a low of $1,153 in ACCE schools to a high of $5,084 in NATTS schools.

Between July 1, 1981 and June 30, 1982, the average NATTS school distributed $718,814 in student aid; the average AICS school, $703,770; and the average ACCE institution, $170,738. Pell Grants accounted for half the total amount of aid distributed at ACCE schools, 44 percent at AICS schools, and 38 percent at NATTS schools. Overall, the SEOG program contributed 5 percent to the total amount of aid distributed at proprietary schools; NDSL, 6.1 percent; CWS, 1.7 percent; state sources, 6.2 percent; and "other" sources (including institutional scholarship and loan programs), 38 percent.

Profile of Aid Recipients

Data shown in Tables 1 and 2 apply only to aid recipients, who accounted for 57 percent of the students at AICS schools, 50 percent at NATTS schools, and 38 percent at ACCE schools.

Overall, three in five aid recipients were women, although the proportion varied at different types of schools, consistent with the sex composition of specific occupational fields (Table 1). Slightly more than two-thirds of all aid recipients in proprietary schools were under the age of 26, with those at AICS schools tending to be younger than those of NATTS and ACCE schools. Consistent with their relative youth, the great majority of aid recipients (83 percent) were not married. About half of the aid recipients were minority students, with AICS and ACCE schools enrolling a substantially larger proportion of minority students than NATTS schools.

Table 1
Demographic Characteristics of Aid Recipients in Proprietary Schools
(Weighted)

	AICS[a]		NATTS[b]		ACCE[c]		Total	
	N	%	N	%	N	%	N	%
Sex:								
Male	49,944	25	124,990	67	8,859	11	183,793	40
Female	147,378	75	61,622	33	69,233	89	278,233	60
Age:								
18 or less	23,618	12	12,112	7	6,707	9	42,437	9
19 - 21	80,231	41	69,250	37	27,526	35	177,007	38
22 - 25	45,615	23	40,760	22	16,951	22	103,326	22
26 - 30	24,074	13	31,692	17	11,419	15	67,185	15
31 - 35	10,409	5	18,283	10	7,193	9	35,885	8
36 and over	11,784	6	13,478	7	8,087	10	33,349	7
Marital Status:								
Married	23,674	12	41,487	22	13,492	17	78,653	17
Not Married	172,708	88	144,953	78	64,560	83	382,221	83
Race:								
Minority	81,053	56	55,205	40	42,952	57	179,210	50
White	63,915	44	82,334	60	31,766	43	178,015	50

[a]Association of Ind. Colleges and Schools: business - secretarial
[b]National Association of Trade Technical Schools: trade - technical
[c]American Council of Cosmetology Education - cosmetology

Slightly more than half of all aid recipients in proprietary schools were financially independent of their parents, with the proportion being substantially higher at ACCE schools (67 percent) than at AICS schools (46 percent) or NATTS schools (53 percent). As Table 2 shows, 38 percent of the dependent aid recipients came from families with incomes of less than $8,000 a year. Independent aid recipients were even more disadvantaged: over three-fourths (77 percent) reported incomes of less than $8,000. Both dependent and independent aid recipients attending trade and technical (NATTS) schools were financially better off than their counterparts at business and secretarial (AICS) and cosmetology (ACCE) schools.

Table 2

Adjusted Gross Income of Dependent & Independent Aid Recipients in Proprietary Schools, by Type of Institution

(in percentages)

	Dependent Aid Recipients				Independent Aid Recipients			
	AICS (102,081)	NATTS (82,335)	ACCE (24,364)	TOTAL (208,780)	AICS (88,371)	NATTS (91,631)	ACCE (48,468)	TOTAL (228,470)
Less than $8,000	46	28	41	38	81	71	83	77
$8,000 - $14,000	18	19	24	19	12	19	14	15
$14,001 - $22,000	15	21	22	18	6	7	2	6
$22,001 - $34,000	15	23	13	18	1	3	—	2
$34,001 - over	6	9	—	6	—	—	—	—

Finally, 86 percent of all aid recipients at proprietary schools received some form of need-based aid (i.e., aid based on the ability of parents and students to pay, according to their net assets and discretionary net income). Need-based aid recipients were concentrated most heavily in ACCE schools (95 percent), followed by AICS schools (89 percent) and NATTS schools (80 percent). Need-based aid recipients were more likely than those receiving some form of aid not based on need to be female (63 percent verus 45 percent), unmarried (84 percent versus 76 percent), and minority (54 percent versus 21 percent). In addition, 43 percent of the dependent and 82 percent of the independent need-based aid recipients reported annual incomes of less than $8,000; comparable figures for non-need-based aid recipients were 14 percent of the dependent students and 36 percent of the independent students. In short, aid recipients in proprietary schools tended to be young and poor; those receiving need-based aid were especially likely to be unmarried minority women from very low-income backgrounds.

Distribution of Aid and Costs Within the Proprietary Sector

The following analyses deal only with students receiving at least one form of need-based aid. Table 3 shows how financial aid and educational costs were distributed among all students within the proprietary sector who received need-based aid during the period from July 1, 1981 to June 30, 1982. The percentages in the first column were derived by dividing the total educational cost into the specific type of aid or

Table 3

Distribution of Aid and Costs for All Recipients of Need-Based Aid

Aid or Cost	Percent of Total Costs	Average Dollars
Parental contribution	3.4%	$ 221
Grants (need-based)		
Pell	15.9%	$1,041
SEOG	1.9	127
State (incl. SSIG)	1.3	88
Institutional	0	1
Total grants	19.1%	$1,257
Student employment		
CWS	.7%	$ 49
State or inst. work	.9	$ 58
Total student empl.	1.6%	$ 107
Loans		
NDSL	3.7%	$ 246
GSL/FISL	18.7	1,227
Institutional loans	.2	11
Total loans	22.6%	$1,484
Student contribution	20.0%	$1,313
Other aid	3.8%	$ 246
Tuition and fees	43.1%	$2,824
Other budgeted costs	46.9	3,728
Total costs	100.0%	$6,552
Unmet need	-29.5%	-$1,924

contribution in question. Thus, the parental contribution of $221 (derived from a prescribed formula) was divided by total educational cost of $6,552 to yield a figure of 3.4 percent for parental contribution.

Grant funds covered about one-fifth of the average student's total cost. Of these grant funds, 83 percent came from Pell Grants, about 10 percent from SEOG, and the remaining 7 percent from state grants.

Student employment accounted for only a small portion of the average recipient's aid package (1.6 percent of total costs). Of the total contribution from work, 46 percent came from CWS, and the remainder from state or institutional work programs.

Loans covered 22.6 percent of the average aid recipient's total educational costs. Of these loan funds, 83 percent came from GSL/FISL, 17 percent from NDSL, and the remainder (less than 1 percent) from institutional loans.

Student contributions (which, like parental contributions, are calculated from a prescribed formula) made up 20 percent of the total educational costs or $1,313. Other aid, not counted elsewhere, covered 3.8 percent.

The average aid recipient's tuition and fees were $2,824 for the year. Other budgeted costs of $3,728 brought the total educational cost for the year to $6,552.

After taking all aid and contributions into account, the average proprietary student receiving need-based aid still had an unmet need of $1,924, meaning that 29 percent of the average student's total educational costs had to be met outside of conventional student aid sources. When asked how students offset this unmet need, school administrators most frequently replied that the students probably had unreported income from outside jobs, though a few said that their institution offered deferred financing.

As Table 3 makes clear, most proprietary students receiving need-based aid depended heavily on Pell Grants and Guaranteed Student Loans. Only a very small portion of their aid packages were made up of SEOG's, state grants, CWS, and NDSL. This pattern is repeated in the analyses by ethnicity and income level reported below.

Table 4

Distribution of Aid and Costs for All Dependent Recipients of Need-Based Aid, by Ethnic Background

	Ethnic Background			
	White (n = 68,251)		Minority (n = 67,453)	
Aid or Cost	Percent of Total	Average Dollars	Percent of Total	Average Dollars
Parental contribution	10.8%	$ 618	6.5%	$ 335
Grants (need-based)	20.3	1,161	26.7	1,362
Student employment	2.7	155	2.0	102
Loans	28.7	1,641	24.0	1,225
Student contribution	4.0	228	11.6	594
Other aid	4.0	229	3.4	174
Tuition costs		$2,987		$2,604
Total costs		5,711		5,109
Unmet need	-29.5%	-$1,679	-25.8%	-$1,317

Analysis for Dependent White and Minority Students

Table 4 compares the distribution of aid and costs for *dependent* need-based aid recipients (white and minority).[6] For the sake of brevity, the different subgroups of grants, student employment, and loans are not shown.

Dependent minority students chose somewhat less expensive schools, paying on the average $383 less in tuition than dependent white students, and their other budgeted costs averaged $219 less than those of white students. However, partly because their parental contributions were smaller (reflecting lower family incomes), minority students received larger grants; though not shown in the table, 84 percent of the average minority student's grant aid, but only 75 percent of the average white student's grant aid, came from Pell Grants. Further, minority students took smaller loans. Employment covered less than 3 percent of the total costs for either group. Minority students contributed almost three times as much toward their total educational costs as did white students (12 percent versus 4 percent). After all aid and contributions are taken into account, dependent white students had a slightly larger unmet need ($1,679 or 29 percent) than minority students ($1,317 or 26 percent).

Analysis for Dependent Students at Various Income Levels

Table 5 shows the distribution of aid and costs for dependent need-based aid recipients at five progressive income levels. At each higher level, the parental con-

Table 5

Distribution of Aid and Costs for All Dependent Recipients of Need-Based Aid in Proprietary Schools, by Income Level

	Income Levels									
	Less than $8,000		$8,001 to $14,000		$14,001 to $22,000		$22,001 to $34,000		$34,001 +	
	(n = 75,664)		(n = 37,779)		(n = 32,903)		(n = 26,376)		(n = 4,022)	
	%	$	%	$	%	$	%	$	%	$
Parental contribution	4.8	241	6.8	385	12.2	723	14.7	961	25.9	1,703
Grants	29.6	1,480	23.0	1,697	16.7	984	10.3	672	8.2	543
Student employ.	2.4	119	1.9	111	1.6	93	1.2	77	3.8	253
Loans	22.1	1,104	25.4	1,447	29.3	1,732	32.6	2,123	40.0	2,636
Student contrib.	9.1	452	6.2	353	4.9	288	5.0	324	7.0	461
Other	5.7	286	3.9	223	1.6	97	0.9	61	2.7	178
Tuition	$2,568		$2,865		$2,939		$3,246		$3,309	
Total cost	$4,997		$5,701		$5,902		$6,522		$6,587	
Unmet need	-26.3%	-$1,313	-32.8%	-$1,870	-33.6%	-$1,985	-35.3%	-$2,303	-12.3%	-$ 813

[6] A similar analysis for independent white and minority students revealed similar patterns.

tribution increased, both in dollar amounts and in proportion of total educational costs, whereas contributions from employment decreased except at the highest income level. Consistent with congressional purposes, grants and loans worked in opposite directions. That is, as family incomes increased, loans increased, and grants decreased. Other aid remained a relatively insignificant factor but seemed to be targeted more on low-income students.

It is interesting to note that higher-income students tended to choose higher-cost schools, to have higher "other budgeted costs," and to cover the differential through loans. The unmet need of lower-income students appears to be reduced substantially through federal loans and grants.

Comparison with Community College Students

Proprietary school students share characteristics with students at both ends of the collegiate spectrum. Like students attending private four-year colleges and universities, they pay relatively high tuitions. But they differ markedly from such students in that they are much more likely to come from ethnic minorities and from low-income backgrounds. Consequently, a $1,500 loan represents a much greater burden to the typical proprietary school student than to the relatively more affluent four-year college or university student.

Proprietary students more closely resemble community college students. Although only 35 percent of need-based aid recipients in community colleges are minority students (compared with 54 percent in proprietary schools), the income distribution of the two groups is highly similar. But the tuitions of proprietary students average from four to five times more than community college tuitions, which are offset by public subsidies. The issue is, then, how much of a loan burden should the proprietary student be expected to bear, and to what extent should grants facilitate the proprietary student's more expensive institutional choice.

Analyses by Ethnicity

Table 6 compares proprietary schools and community colleges with respect to the distribution of aid and costs among dependent white students receiving need-based

Table 6

Distribution of Aid and Costs for Dependent White Recipients of Need-Based Aid in Proprietary Schools and in Public Two-Year Colleges

	Type of Institution			
	Proprietary School (n = 68,251)		Public Two-Year College (n = 209,982)	
Aid or Cost	Percent of Total	Average Dollars	Percent of Total	Average Dollars
Parental contribution	10.8%	$ 618	12.4%	$ 417
Grants (need-based)	20.3	1,161	28.5	955
Student employment	2.7	155	9.1	304
Loans	28.7	1,641	13.2	442
Student contribution	4.0	228	16.0	536
Other aid	4.0	229	7.8	261
Tuition costs		$2,987		$ 678
Total costs		5,711		3,350
Unmet need	-29.5%	-$1,679	-13.0%	-$ 435

aid. The parental contributions were similar. The average community college student received fewer dollars in need-based grants, but they covered a larger proportion of the total costs. Earnings from employment covered a much smaller proportion of total educational costs for the proprietary student. The average proprietary student's loans totaled $1,641 and covered 29 percent of total costs, whereas the average community college student's loans totaled $442 and covered 13 percent. After subtracting total resources from total educational costs, one finds that the typical dependent white student attending a proprietary school had an unmet need of $1,679 (or 29 percent), compared with an unmet need of only $435 (or 13 percent) for his or her counterpart attending a community college.

Table 7, which presents the same analysis for dependent minority students receiving need-based aid, reveals the same pattern of differences. That is, minority students in proprietary schools had much higher tuition costs and total costs than did those in community colleges; they depended much more heavily on loans, and much less heavily on student employment and "other aid," to cover those costs. Moreover, the proportionate parental contribution was about the same in the two sectors, though the average dollar amounts were higher in the proprietary sector. Similarly, the average minority student attending a community college received less in grant aid than did his or her counterpart at a proprietary school but covered more of total educational costs through grants.

Table 7

Distribution of Aid and Costs for Dependent Minority Recipients of Need-Based Aid in Proprietary Schools and in Public Two-Year Colleges

	Type of Institution			
	Proprietary School (n = 67,453)		Public Two-Year College (n = 110,466)	
Aid or Cost	Percent of Total	Average Dollars	Percent of Total	Average Dollars
Parental contribution	6.5%	$ 335	6.0%	$ 187
Grants (need-based)	26.7	1,362	32.9	1,036
Student employment	2.0	102	10.7	337
Loans	24.0	1,225	4.6	146
Student contribution	11.6	594	13.1	410
Other aid	3.4	174	7.0	219
Tuition costs		$2,604		$ 470
Total costs		5,109		3,142
Unmet need	-25.8%	-$1,317	-25.7%	-$ 806

Interestingly, the proportionate unmet need of minority students was about the same whether they attended proprietary schools or community colleges: one quarter of total educational costs. Thus, within the community college sector — but not in the proprietary sector — minority students had a substantially larger unmet need than white students.

Analysis by Income Level

Table 8, which shows the distribution of aid and costs by family income level for dependent recipients of need-based aid attending community colleges, should be compared with Table 5, which gives the same information for proprietary students. Although proprietary students at each income level received larger grants than their counterparts at public two-year colleges, the proportion of total cost covered by the

grants was smaller because of the higher tuition costs paid by proprietary students. Thus, while grants provided a substantial floor for the proprietary student, the added cost increments tended to be covered by loans. For proprietary students, both the amount and the proportion of loans increased at each higher income level. The same was generally true for community college students, though the actual dollar amounts were considerably lower. The total educational costs of community college students, unlike those of proprietary students, rose only modestly with family income, and this modest increase was covered by a combination of paternal contributions, loans, and student contributions.

Table 8

Distribution of Aid and Costs for All Dependent Recipients of Need-Based Aid in Public Two-Year Colleges, by Income Level

	Income Levels									
	Less than $8,000		$8,001 to $14,000		$14,001 to $22,000		$22,001 to $34,000		$34,001 +	
	(n = 186,404) %	$	(n = 80,922) %	$	(n = 105,689) %	$	(n = 41,222) %	$	(n = 2,917) %	$
Parental contribution	5.0	160	4.4	147	12.5	416	27.7	1,000	46.6	1,621
Grants	36.3	1,155	32.1	1,071	25.6	852	15.4	557	10.7	373
Student employ.	9.3	295	7.8	261	9.0	301	9.0	325	10.0	346
Loans	6.2	196	7.9	263	12.2	405	18.4	659	16.6	574
Student contrib.	13.3	424	14.1	470	15.2	507	13.3	481	16.2	564
Other	11.1	353	5.1	169	4.9	163	4.4	157	2.3	80
Tuition	$ 569		$ 613		$ 667		$ 723		$ 537	
Total cost	$3,184		$3,333		$3,323		$3,605		$3,476	
Unmet need	-18.8%	-$ 600	-28.6%	-$ 952	-20.6%	-$ 685	-11.8%	-$ 426	+2.4%	+$ 82

Source: AACJC/AASCU/NASULGC — Ford/Exxon Student Aid National Sample, All Students Receiving Need-Based Student Aid, Two-Year Colleges — Weighted, 1981-1982. Computer output dated Saturday, July 17, 1982, p. 53.

Summary

To summarize the comparisons between proprietary schools and public community colleges: Minority and low-income students in both sectors participated more heavily in the Pell Grant program than did white and higher-income students, thus incurring somewhat lower loan burdens. This finding merely confirms that the student aid system is working as intended, since income is a major determinant of eligibility for Pell Grants, and minority students are more likely to come from lower-income backgrounds.

Additionally, however, need-based aid recipients in both sectors were heavily dependent on Pell Grants and on Guaranteed Student Loans alone. Minority students in proprietary schools relied even more heavily on Pell Grants than did their

counterparts at community colleges, apparently finding SEOGs and state grants less available.

To the extent that work funds are available at proprietary schools, they seem to be targeted toward lower-income students. In public two-year colleges, on the other hand, work funds are distributed fairly evenly across income levels.

Finally, these comparisons suggest that the educational cost of community college students do not vary much by income level. In contrast, the higher the proprietary student's family income, the more likely the student is to choose a higher-cost school and to finance this choice with loans rather than with grants.

Two Dimensions of Equity

To answer the question of whether federal student aid funds are being distributed in ways that move toward equalizing student access to various forms of post-secondary education, one can pursue two lines of inquiry. First, one can compare the distribution of different types of aid at community colleges and proprietary schools to determine if federal aid helps those from less advantaged backgrounds exercise their choice of attending more expensive proprietary schools. Second, one can analyze the distribution of grants, loans, and work among proprietary students to determine which forms of aid appear to be most important in accounting for students' choice of more expensive schools.

Table 9 (which summarizes data presented earlier in Tables 5 and 8) addresses the first line of inquiry. In both the proprietary and the community college sectors, need-based aid recipients at the lowest income level received over three times the amount in grants as those at the highest income level. At each income level, grants covered a smaller part of the costs of proprietary students than of community college students. The difference between sectors was even more pronounced for

Table 9

Contribution of Loans, Work, and Grants to Each Dollar of Educational Cost for Dependent Recipients of Need-Based Aid in Proprietary Schools and in Public Two-Year Colleges, by Income Level (in dollars)

	Proprietary Schools			Public Two-Year Colleges		
Income	Loans	Work	Grants	Loans	Work	Grants
Less than $8,000	.22	.02	.30	.06	.09	.36
$8,001 - $14,000	.25	.02	.23	.08	.08	.32
$14,001 - $22,000	.29	.02	.17	.12	.09	.26
$22,001 - $34,000	.33	.01	.10	.18	.09	.15
$34,001 - or more	.40	.04	.08	.17	.10	.11

loans, which contributed substantially more to the educational costs of proprietary students than of public two-year college students. Finally, work accounted for 8-10 cents of the educational dollar for community college students, but only 1-4 cents for proprietary students, with no strong or consistent differences by income level.

In pursuing the second line of inquiry, the analysis was controlled for income. That is, costs were correlated with each form of financial aid (grants, loans, and work) for proprietary students within each income category, as well as for all proprietary students regardless of income level.

Grants were found to be only marginally related, and work programs unrelated, to the proprietary student's ability to purchase a more expensive educational program. Loans, however, were positively correlated with educational costs, and the highest correlation (.64) was found for the lowest-income group, which represents the single largest group of proprietary students. When the analysis was run independent of income, the correlation coefficient of loans and tuition was .48 for dependent students and .39 for independent students. Thus, within income categories, loans play a major part in enabling students — particularly dependent students from the lowest-income groups — to purchase a more expensive education. Further, regardless of income level, loans contribute heavily to the proprietary student's ability to enroll in a higher- cost program.

In short, while need-based grants provide a floor of support under low-income proprietary students, they stop short of enabling students at any income level to purchase a higher-cost program. Similarly, work programs (CWS in particular) play no discernible part in facilitating the proprietary student's choice of a higher-cost program. Thus, loans appear to be the chief vehicle whereby low-income proprietary students, as well as their more advantaged counterparts, can gain access to higher-cost schools.

Conclusions and Recommendations

Three major conclusions may be drawn from this study. First, Pell Grants play an important role in enabling low-income and minority students to continue their training beyond high school. Without this foundation of support, many of these students could probably not afford to enroll even in short-term, low-cost proprietary programs. The impact of Pell Grants is limited, however, insofar as providing access to higher-cost programs is concerned. The findings make it clear that the more affluent proprietary students choose longer and higher-cost programs and train for higher-paying occupations, whereas the more disadvantaged proprietary students (who are also likely to be minority women) enroll in shorter-term, lower-cost programs that prepare for employment in relatively low-paying occupations. For instance, according to the most recent edition of the *Occupational Outlook Handbook* (U.S. Department of Labor, 1982), beginning cosmetologists earn between $110 and $145 per week (including tips), whereas the average beginning electronic technician earns $223 per week, or 50 percent more than the highest-paid beginning cosmetologist. It seems likely that many low-income students choose the shorter-term programs leading to potentially less lucrative occupations not only because of their lower costs but also because they involve less forgone income; that is, the student needs to spend less time out of the labor market, in training. Thus, income differences (which are closely related to ethnic and gender differences) are perpetuated.

The second conclusion is that loan funds — most notably, GSL — are a much more important resource for proprietary students than for community college students, even though the income distribution of the two groups is similar. To the extent that proprietary students choose higher-cost programs, lower-income students cover these costs largely through GSL funds, whereas higher-income students

cover them through a combination of GSL, parental contributions, and student contributions.

The third conclusion is that campus-based aid programs — SEOG, NDSL, and CWS — play only a minor part in helping proprietary students to finance their schooling. The limited impact of CWS (and other work-related aid) is explained in part by the intensiveness of most proprietary programs (students typically attend class for more than five hours each day and thus have less time to work at outside jobs than do students in the collegiate sector). Further, because Congress wished to avoid subsidizing profit-making firms, the CWS program restricts student employment to nonprofit or public institutions.

In summary, need-based aid recipients in proprietary institutions are among the least advantaged students in postsecondary education, yet they bear a heavy share (about 80 percent) of their educational costs themselves. Moreover, most proprietary students come from low-income families with few extra resources (such as occasional cash gifts, credit cards for clothes and gas, or family cars) that might help to reduce the magnitude of their unmet need. Finally, their limited access to campus-based aid programs makes proprietary students heavily dependent on Guaranteed Student Loans. This observation leads to the first recommendation:

1. *Policies should be devised to insure that proprietary students have equal access to Guaranteed Student Loans.* This study covers only those proprietary students who were successful in obtaining Guaranteed Student Loans. Many less fortunate proprietary students may be denied access to loans, for several reasons. First, because proprietary students tend to come from low socioeconomic backgrounds and are thus more prone to default, lenders naturally consider them to be high risks. Second, in their lending policies, many banks apparently favor four-year college students not only because they are better credit risks but also because their higher expected lifetime earnings make them more desirable as permanent customers after graduation. Indeed, the very structure of the GSL program may encourage discrimination against proprietary students: By making fewer but larger loans to four-year college students, rather than smaller loans to proprietary students who may be in school for a year or two at most, banks can reduce their service costs while at the same time being guaranteed a profitable rate of return from the federal in-school interest subsidy (National Council on Student Aid, 1982).

Given proprietary students' heavy reliance on GSLs to finance their education, and given the evidence that lending institutions discriminate against proprietary students, any changes in GSL policies designed to increase student access should take into account the special circumstances of this predominantly disadvantaged group.

2. *Policies to increase the maximum Pell Grants should be considered as a means of reducing low-income students' dependence on Guaranteed Student Loans.* Despite Congress's intent to help equalize educational opportunity through the Guaranteed Student Loan program, its effects may be more regressive than progressive. For example, a study recently completed for the National Commission on Student Financial Assistance (1983) reported that federal GSLs are of greatest benefit to student borrowers in high-cost, four-year colleges and in graduate programs. Paradoxically, though student borrowers who prolong their education pay less in real terms for the borrowed capital and cost the federal government more in subsidies, they can expect to reap the greatest benefits (in higher lifetime earnings).

Moreover, since higher debt burdens are associated with higher dropout and default rates, one must question the wisdom of policies that encourage low-income students to assume such burdens (Astin, 1972). Revising the Pell Grant program to

cover the costs of attendance may be a more effective way to extend educational opportunities to low-income students.

3. *The campus-based aid programs — Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work-Study — should be revised to equalize access for proprietary students.* The limited participation of proprietary students in the campus-based aid programs is attributable in part to their late inclusion in these programs, after existing funds have been claimed by other institutions. Further, certain provisions in these programs (written with the traditional college student in mind) make them unsuitable to the specialized needs of many proprietary students. For example, proprietary students are often in class for a minimum of 25 hours a week and so are not available for outside jobs under the CWS program. Additionally, because of Congress's unwillingness to subsidize profit-making concerns, CWS provisions prohibit proprietary schools from employing their own students, a source of low-cost labor that has become a form of institutional aid for many traditional colleges and universities.

Perhaps a more effective way to equalize proprietary students' access to student aid resources would be to redesign and consolidate existing campus-based programs into one large student-based aid program, thus facilitating student choice. Such a change would be consonant with Congress's tendency over the past decade to shift aid from institutions to students.

4. *Additional research should be conducted.* While research findings from studies of the type reported here are available on other sectors of postsecondary education (community colleges, public four-year colleges, independents), comparisons are difficult because individual studies define key variables in different ways. With coordination and some modest support, however, comparisons could be made across sectors, thereby capitalizing more fully on this timely and available information.

As mentioned earlier, growing evidence suggests that GSL lenders may discriminate against proprietary students, presumably because they are poor credit risks and because their relatively short-term programs make their loans more expensive to administer. In view of the forthcoming reauthorization hearings, a study that explores the extent of this apparent discrimination, the reasons for it, and potential policy remedies, would be useful.

A study assessing the long-term social effects of student financial aid would help to inform policy discussion about equity in, and access to, student aid programs. For example, Hansen's recent study (1982) suggests that participation rates in postsecondary education have increased only slightly when overall population changes are taken into account. Proprietary schools represent an important point of access to later educational and occupational opportunities, especially for low-income students. A retrospective study that investigates the intergenerational effects of student aid across institutions, including proprietaries, would provide valuable insights on this important issue.

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